



Sustainable Investing Approach

April 2015

TD Asset Management (“we”, “TDAM”) manages a wide range of investment accounts and funds, and we believe incorporating sustainability criteria within the investment framework is compatible with our goal of maximizing long-term financial returns. More specifically, we believe that considering environmental, social and governance (ESG) factors provides us with a more robust view of potential risks and opportunities. Based on our fiduciary duty to clients, we focus on ESG issues that are likely to influence the value of an investment.

Our approach

As a signatory to the Principles for Responsible Investment (PRI), TDAM’s approach to sustainable investing is broadly based on the six principles set out in the PRI:

1. Integration

We integrate ESG factors directly into our investment analysis by maintaining a database of sector-specific and thematic ESG research as well as a proprietary ESG risk management matrix. The matrix uses a number of ESG indicators that we believe apply to all industry sectors, and any issues that could put a company’s expected earnings at risk are of particular importance. The output produced by the matrix is one of several fundamental indicators used by our active equity and fixed-income portfolio managers.

While we do augment our work with information from third parties, we consider conducting our own research a key part of the analysis process. Therefore, our sector specialists regularly interview company management teams and discuss applicable ESG issues, goals and trends, and the findings are included in internal write-ups and research reports.

2. Active Ownership

We strive to be active owners by engaging with the companies in which we invest and by taking advantage of our voting rights to help effect change.

Engagement – Our sector specialists meet with corporate management teams as part of our broader engagement efforts. The information they gather is used in our corporate analysis and helps us when making investment or voting decisions. We primarily focus on Canadian companies, and our efforts are bolstered by governance engagements conducted by the staff and board of the Canadian Coalition of Good Governance (CCGG) on behalf of their members. In addition, we participate from time to time in relevant engagements presented to us through the PRI Clearinghouse.

Proxy Voting – We vote on proposals that involve environmental or social issues on a case-by-case basis. Since 2008, we have supported over 450 shareholder proposals related to a wide range of environmental and social issues, plus a number of governance issues that have an environmental or social link.

3. Disclosure

We collaborate with regulators to ensure that securities filings disclose key ESG facts in plain language. For example, our work with the Canadian Securities Administrators led to its notice on environmental disclosure requiring Canadian public companies to disclose any carbon pricing assumptions they have made in planning their activities. In addition, we have helped the Toronto Stock Exchange (TSX) design and run environmental and social disclosure workshops for TSX-listed companies.

4. Advocacy

We continue to encourage others in the investment industry to embrace sustainable investing. For example, to promote an increase in the amount of ESG research by sell-side analysts, we allocate broker votes to firms that produce it. We urge our sub-advisers to integrate ESG issues into their investment analysis and decision-making processes. We also help educate the business media, speak at industry conferences and share our experience as a PRI signatory with firms that are considering becoming signatories.

5. Collaboration

Our chances for success are sometimes better when we collaborate with other institutional investors. Therefore, we participate in initiatives that make collective action easier, including Carbon Disclosure Project (CDP) Climate Change, CDP Water, CDP Forests, CDP Carbon Action and the CCGG.

6. Reporting

To help investors and potential investors understand our approach in more depth, our website includes an annual report disclosing how we have delivered on our PRI commitments, plus annual reports disclosing how we have voted at hundreds of company meetings. ■

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